

Eligible Activities

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All HOME-Eligible Activities

The policies and procedures in this section apply to all HOME eligible activities. Additional requirements that apply to specific activity types are included following this section.

Eligible Housing Activities

IHCDA encourages investments that will preserve housing units as decent, safe, and affordable for the long term. With HOME-funded activities, the completed development must meet the more stringent of the local building code or the Indiana State Building Code. Emergency repair, weatherization, or minor improvement activities are not eligible for this program.

Eligible housing activities include:

- Transitional, permanent supportive, or rental housing can be provided in the form of traditional apartments, group homes, or single room occupancy units (SROs).
- SRO housing consists of single room dwelling units that are the primary residence of the occupant(s). If the activity consists of new construction, conversion of non-residential space, or reconstruction, SRO units must contain either kitchen or bathroom facilities (they may contain both). For activities involving acquisition or rehabilitation of an existing residential structure, neither kitchen nor bathroom facilities are required to be in each unit. However, if individual units do not contain bathroom facilities, the building must contain bathroom facilities that are shared by tenants. SRO housing does not include facilities for students.
- Single-family housing
- Manufactured homes are eligible if they meet Manufactured Housing Policy or if rehabilitation will bring unit up to these standards:
- A single dwelling unit designed and built in a factory, installed as a permanent residence, which bears a seal certifying that it was built in compliance with the Federal Manufactured Housing Construction and Safety Standards law and which also complies with the following specifications:
 1. Shall have been constructed after January 1, 1981, and must exceed nine hundred fifty (950) square feet of occupied space per I.C. 36-7-4-1106 (d);
 2. Is attached to a permanent foundation of masonry construction and has a permanent perimeter enclosure constructed in accordance with the One and Two Family Dwelling Code;
 3. Has wheels, axles and towing chassis removed;
 4. Has a pitched roof;
 5. Consists of two (2) or more sections which, when joined, have a minimum dimension of 20' X 47.5' enclosing occupied space; and
 6. Is located on land held by the beneficiary in fee-simple title, recorded land sale contract, or 99-year leasehold and is the principal residence of the beneficiary.
 - All other manufactured or mobile homes that do not meet the aforementioned criteria are ineligible to receive rehabilitation assistance on developments funded by the Indiana Housing and Community Development Authority.
- Applicants applying for HOME funds for developments that previously received other sources of IHCDA funding (including RHTCs and LIHTF) will be allowed. However, these developments will be subject to analysis under the current underwriting requirements set forth in the application. Previously funded RHTC developments must have received their Form 8609 more than five years prior to application to be eligible to apply.
- Applicants applying for HOME funds for developments that previously received HOME funding should refer to the Eligible Activities section for a description of "Supplemental HOME."

Eligible housing activities **DO NOT** include:

- Nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and student dormitories.
- Owner-occupied rehabilitation
- Rehabilitation of mobile homes.
- Acquisition, rehabilitation, refinancing, or new construction located within the boundaries of a 100-year floodplain.
- Creation of secondary housing unit(s) attached to a primary unit.
- Developments that will be applying for rental housing tax credits (RHTC). These developments **must** apply for HOME funds as part of the RHTC application (also called the Qualified Allocation Plan).
- Housing activities funded under Title VI of NAHA, prepayment of mortgages insured under the National Housing Act, public housing developments, or developments funded under HUD's former Rental Rehabilitation Program.
- Costs for supportive services, homeless prevention activities, operating expenses, or for the use of commercial facilities for transient housing.
- Emergency shelters that are designed to provide temporary daytime and/or overnight accommodations for homeless persons.
- HOME loan servicing fees or loan origination costs.
- Tenant-based rental assistance.
- Back taxes.

Form of Assistance

IHCDA will provide HOME funds to a recipient in the form of a grant. Award documents must be executed in order to access funds and may include, but are not limited to: award agreement, resolution, and declaration of affordability commitment.

The applicant may then provide the HOME award as a forgivable, amortized, or deferred loan to as many other entities as they choose, known as subgrantees (beneficiaries if a homebuyer award). However, subgrantees must be identified in the application and approved by IHCDA.

A title company is required to be used for all loans that occur between the IHCDA recipient and the beneficiary or subgrantee of the program. For example, an IHCDA recipient providing funds for a homebuyer activity must use a title company when the loan is made to the homeowner. Another example is when an IHCDA recipient is assisting a property that they do not own. When the loan is made from the IHCDA recipient to the subgrantee, a title company must be used.

If there will be proceeds from this award, the recipient must contact and get approval from IHCDA regarding the reuse of these funds. The entities receiving the loans from the IHCDA recipient may not reloan the funds to any other organizations or individuals.

Additionally, all legal documents between the IHCDA recipient and assisted beneficiary/subgrantee must be recorded at the county recorders office. These documents will be reviewed when monitored by IHCDA staff.

The State of Indiana, [Department of Financial Institutions](#), has determined that any not for profit that has been certified as a Community Housing Development Organization (CHDO) by the Indiana Housing and Community Development Authority is exempt from the loan licensing requirement. CHDOs receiving CHDO funding and non-CHDO funding are exempt from the loan-licensing requirement. Subsequently, if you are a not for profit that is not certified as a CHDO by IHCDA, you could be subject to the loan licensing requirements as listed above. See IC 24-4.5-1-202 (1).

However, if your organization was making more than 25 consumer loans in a year, then the loan-licensing requirement as outlined above could be applicable.

Award Term

- The HOME award must be fully expended within a 24-month term.

Matching Funds Requirement

- The HOME Program requires a twenty-five percent (25%) match.
- If the applicant is proposing to utilize banked match for this activity:
 - And it is the applicant's own banked match, the match liability on the previous award for which the match was generated must already be met and documented with IHCD for the match to be eligible as of the application due date. Only HOME-eligible match generated on IHCD awards made in 1999 or later are eligible to be banked.
 - Or, if it is another recipient's match, the applicant must provide an executed agreement with the application verifying that the recipient is willing to donate the match. A boilerplate agreement is found in the Appendices.
 - Only banked match from awards made in 1999 or later that have fully met their match liability is eligible to be donated to another applicant. The award must be closed before the agreement to donate match is executed.
 - Match cannot be sold or purchased and is provided purely at the discretion of the recipient that generated it.
 - Banked match generated on a CDBG award cannot be used as match on a future HOME award. Only banked match generated on a HOME award can be used on a future HOME award.
 - Banked match becomes eligible for use after the full monitoring clearance date.

Housing Activity Provisions

- All applicants are required to complete the environmental review record (ERR) and submit it to the appropriate Community Development Representative prior to or with application submission. Refer to the Environmental and Historic Review User guides for further explanation of these requirements.
 - Local unit of government applicants must publish a notice requesting a release of funds no later than 7 days following the application due date and submit all publisher's affidavits to IHCD within 14 days of application due date.
 - For all other applicants, excluding local units of government, IHCD will be responsible for publishing the notice requesting a release of funds.
- All applicants for single-site activities must have also completed the Section 106 Review and received a concurrence letter or an executed Memorandum of Agreement (MOA), as appropriate, from the Indiana Department of Natural Resources Division of Historic Preservation and Archaeology (DHPA), State Historic Preservation Officer (SHPO) prior to application submission.
- Applicants may not purchase any property to be assisted with HOME funds until the environmental and historic review process has been completed.
- If the applicant is proposing to do acquisition only; at the time of application submission
 - They must certify that there will be no rehabilitation work as part of this undertaking and that the property to be purchased meets the stricter of the Indiana State Building Code or local building code at the time of application.
 - No environmental or historic review is required for such activities.
 - The structure must be inspected by the IHCD Community Development Inspector prior to application submission.
- Local units of government or township applicants must demonstrate that it will complete an action to affirmatively further fair housing during the timeframe of an award.
- Award recipients will be required to provide proof of adequate builder's risk insurance, property insurance, and/or contractor liability insurance during construction and property insurance following construction for all assisted properties throughout the affordability period. Additionally, recipients of a homebuyer award must also stipulate that adequate property insurance be maintained throughout the affordability period in their beneficiary loan documents.
- Ownership of HOME-assisted properties must be a fee simple title or a 99-year leasehold recorded with the local recorder's office.
- Applicants that are proposing to develop transitional or permanent supportive housing must participate in the Homeless Management Information System (HMIS) as it becomes available in the State of Indiana.
- Applicants that are proposing to develop transitional, permanent supportive, and rental housing are required to participate in the affordable housing database and search service as it becomes available in the State of Indiana.

CHDO Eligible Activities

- Transitional, permanent supportive, rental, and homebuyer housing are considered CHDO-eligible activities for purposes of the CHDO set-aside as long as the activity takes place within the CHDO's state-certified service area and the CHDO must own, develop, or sponsor the activity.
- An application for a CHDO-eligible undertaking must demonstrate:
 - That low- and moderate-income persons have had the opportunity to advise the CHDO in its decisions regarding the design, site, development, and management of the affordable housing undertaking.
 - Certify that the organization continues to meet the definition of a CHDO.

Regulatory Requirements

- All regulatory HOME requirements listed in [24 CFR Part 92](#) must be met. IHCD is bound to these regulations and may require additional requirements.
- New construction or conversion of non-residential buildings into transitional, permanent supportive, and rental housing under this program must meet all Site and Neighborhood Standards as defined in the Appendices, Definitions, and taken from [24 CFR 983.6 \(b\)](#). See the Site and Neighborhood Standards Questionnaire in the forms.
- HOME funding for 12 or more assisted units under a single ownership and with similar financing may be subject to Davis-Bacon wage provisions of [29 CFR Parts 1, 3, and 5](#).
- PHA's using PHA funds in conjunction with IHCD funds are subject to Davis Bacon requirements.
- Recipients of a HOME award must follow competitive procurement procedures.
- Recipients of a HOME award are subject to the regulations of the Uniform Relocation Act. See the [Implementation Manual](#) for guidance on the regulatory requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, and Federal regulations at [49 CFR Part 24](#) and the requirements of [Section 104\(d\) of Title I of the Housing and Community Development Act of 1974, as amended](#).
- The housing must meet the accessibility requirements of [24 CFR Part 8](#), which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covers multifamily dwellings, as defined at [24 CFR Part 100.201](#). It must also meet the design and construction requirements at [24 CFR 100.205](#), and which implement the Federal Fair Housing Act Amendments of 1988 (42 U.S.C. 3601-3619). See [IHCD's Implementation Manual](#) for guidance on the regulatory requirements of Section 504 Accessibility Standards.
- Recipients of a HOME award are subject to the HUD requirements of dealing with lead-based paint hazards. For the regulatory requirements of lead-based paint hazards, see [24 CFR Part 35](#) or refer to IHCD's [Implementation Manual](#).
- Recipients of a HOME award are required to perform an environmental and historic review on all assisted property. To view the regulatory requirements of environmental and historic review found in [24 CFR Part 58](#) refer to the Environmental and Historic Review User guides or contact your IHCD Community Development Representative at (800) 872-0371 for further guidance.
- Units must, at a minimum, meet the stricter of the local rehabilitation standards or the Indiana State Building Code.
- Recipients of HOME awards must meet additional energy efficiency standards for new construction as described in [24 CFR 92.251](#). Namely newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.
- Transitional housing, permanent supportive housing, rental housing, and homebuyer developments with five (5) or more HOME-assisted units must adopt IHCD's Affirmative Marketing Procedures. See IHCD's [Implementation Manual](#) for guidance on Affirmative Marketing Procedures.
- In accordance with 24 CFR 92.252, if a rental, permanent supportive, or transitional housing development contains 5 or more HOME-assisted units, 20% of the HOME-assisted units must be set aside for households at or below 50% AMI with rents (including utilities) that do not exceed the 50% Rent Limit as published by HUD and distributed by IHCD's Community Development Department.

Affordability Requirements

- All subsidies must be secured throughout the affordability period by a written, legally binding, recorded declaration of affordability commitment.
- The following affordability periods apply to ALL HOME funded projects, including transitional, permanent supportive, rental, and homebuyer housing:

Amount of HOME subsidy per unit	Affordability Period
Under \$15,000/unit	5 years
\$15,000 - \$40,000	10 years
Over \$40,000 per unit - or - any rehabilitation/refinance combination activity	15 years
New construction or acquisition of newly constructed transitional, permanent supportive, or rental housing	20 years

- If HOME and CDBG are used in a development during the same program year, the combined amounts will determine the affordability period.

Eligible Activity Costs

The bolded items listed below are included in the application budget. If you have a question about which line item an expense goes under, contact your IHCD Community Development Representative.

RETAINAGE POLICY - IHCD will hold the final \$5,000 of an award until the completion reports, match documentation, and closeout documentation is received and approved.

ACQUISITION – Limited to the purchase price and related costs associated with the acquisition of real property. Recipients must use a title company when purchasing or selling assisted properties. If the development is acquisition only, there should be no hard costs line item in the Uses of Funds exhibit.

DOWN PAYMENT ASSISTANCE – This line item should include the down payment assistance, closing costs, principal reduction, or interest rate buy-downs provided to program participants.

NEW CONSTRUCTION – Eligible costs include:

- Hard costs associated with new construction activities
- Utility connections including off-site connections from the property line to the adjacent street
- Site work related to driveways, sidewalks, landscaping, etc
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development
- For multifamily rental housing, costs to construct an on-site management office, the apartment of a resident manager, or laundry or community facilities that are located within the same building as the housing and are for the use of the tenants and their guests
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Contingency funds used for unanticipated hard cost overruns or change orders

REHABILITATION – Eligible costs include:

- Hard costs associated with rehabilitation activities
- Lead-based paint interim controls and abatement costs
- Mold remediation
- Utility connections including off-site connections from the property line to the adjacent street
- Related infrastructure costs - improvements to the development site that are in keeping with improvements of surrounding, standard developments. Site improvements may include on-site roads and water and sewer lines necessary to the development
- For multifamily rental housing, costs to rehabilitate an on-site management office, the apartment of a resident manager, or laundry or community facilities that are located within the same building as the housing and are for the use of the tenants and their guests
- Stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Contingency funds used for unanticipated hard cost overruns or change orders
- Site work related to driveways, sidewalks, landscaping, etc.

DEMOLITION – Costs associated with the demolition and clearance of existing structures

PROGRAM DELIVERY - Program delivery costs are those costs that can be directly tracked by address. They include soft costs and client related costs that are reasonable and necessary for the implementation and completion of the proposed housing activity. This line item along with administration or CHDO operating, developer's fee, and environmental review cannot exceed 20% of the HOME request. Recipients are allowed to draw down this line item as costs are incurred. Additionally, program delivery may payoff a HOME CHDO Predevelopment or CHDO Seed Money loan or a LIHTF Predevelopment or Seed Money loan but may not exceed the 20% line item cap.

Eligible costs include:

- | | | |
|-------------------------------------|---|---|
| • Engineering/Architectural Plans | • Credit reports | • Impact fees |
| • Inspections | • Title searches | • Realtor fees |
| • Cost estimates | • Recording fees | • Legal and accounting fees |
| • Building permits | • Private lender origination fees | • Utilities of assisted units |
| • Demolition permits | • Appraisals | • Other professional services |
| • Financing costs | • Travel to and from site | • Builders risk insurance |
| • Program delivery costs | • Consultant fees | • Phase I Environmental Assessments |
| • Client intake/income verification | • Plans, specifications, work write-ups | • Closing costs paid on behalf of homebuyer |

RENT-UP RESERVE - HOME funds may be used to cover the cost of funding an initial rent-up reserve for new construction and rehabilitation of transitional, permanent supportive, and rental housing developments.

- This reserve is meant to meet any shortfall in development income during the rent-up period and may be drawn down at construction completion.
- The term of the rent-up reserve account may not exceed 18 months.
- These funds can be used only for development operating expenses, scheduled payments to replacement reserves and/or debt service payments.
- Funds remaining in the rent-up reserve account at the end of 18 months may be retained for operating or replacement reserves, as outlined in the award documents.
- The recipient must receive IHCD approval prior to accessing their rent-up reserve account.
- The initial rent-up reserve limit is 3 months operating expenses plus 3 months debt service.

RELOCATION - This includes relocation payments and other relocation assistance for permanently and/or temporarily relocated individuals, families, businesses, nonprofit organizations, and farm operations where assistance is required and appropriate. Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket expenses for temporary relocation purposes. For additional information on relocation and displacement, please refer to the information provided in Appendix B.

LEAD HAZARD TESTING – Cost associated with lead hazard testing, not to exceed average of \$1,000 per unit.

HOMEOWNERSHIP COUNSELING – Those costs associated with formal training provided to prospective homebuyers. This item is limited to \$1,000 per homebuyer.

Eligible costs include:

- | | | |
|-------------------------------------|---------------------|-----------------------------|
| • Course material development/costs | • Intake | • Income verification |
| • Related travel | • Training location | • Loan processing |
| • Underwriting | • Credit reports | • Program management |
| • Professional services | • Postage | • Marketing and advertising |

DEVELOPER'S FEE - Developer's fees are only available with HOME funded activities and cannot exceed 15% of the HOME award. Additionally, this line item along with administration or CHDO operating, program delivery, and environmental review cannot exceed 20% of the HOME request.

ADMINISTRATION - The administration line item includes the costs directly related to administering an IHCD HOME award and complying with the regulations associated with these funds. This line item cannot exceed 5% of a HOME request and generally is between \$5,000 and \$10,000. This line item along with developer's fee, program delivery, and environmental review cannot exceed 20% of the HOME request. Recipients are allowed to draw down this line item as costs are incurred. The costs associated with preparing the application are not eligible for reimbursement through a HOME award. This line item does not incur a match liability for HOME awards.

Eligible costs include:

- Affirmative marketing
- Fair housing education
- Office materials and supplies
- Staff costs and professional services associated with reporting, compliance, monitoring, or financial management
- Lead-based paint training
- Housing activity related training
- Office rent and utilities
- Postage
- Communication costs
- Photocopying
- Travel for Housing activity related training

CHDO OPERATING COSTS – CHDO operating costs are those costs directly related to administering an IHCD HOME CHDO award and complying with the regulations associated with these funds. HOME funds expended on CHDO operating costs incur no match liability. This line item cannot exceed 5% of a HOME award and generally is between \$5,000 and \$10,000. This line item along with developer's fee, program delivery, and environmental review cannot exceed 20% of the HOME request. Recipients are allowed to draw down this line item as costs are incurred. The costs associated with preparing the application are not eligible for reimbursement through a HOME award.

Eligible costs include:

- Affirmative marketing
- Fair housing education
- Office materials and supplies
- Staff costs and professional services associated with reporting, compliance, monitoring, or financial management
- Lead-based paint training
- Housing activity related training
- Office rent and utilities
- Postage
- Communication costs
- Photocopying
- Travel for Housing activity related training

ENVIRONMENTAL AND HISTORIC REVIEW – This line item includes expenses associated with the Section 106 Historic Review and environmental review release of funds process. This does not refer to a Phase I Environmental Assessment. This line item along with developer's fee, program delivery, and administration or CHDO operating cannot exceed 20% of the HOME request. Eligible costs for this line item are generally between \$2,000 and \$5,000 and include professional services, publication costs, photocopying, and postage. For further information, refer to the Environmental and Historic Review User guides or contact your IHCD Community Development Representative.

Ineligible Costs

The following costs are ineligible for reimbursement from HOME funds, unless specifically listed as eligible in an individual Eligible Activity description:

- Commercial development costs - All costs associated with the construction or rehabilitation of space within a development that will be used for non-residential purposes such as offices or other commercial uses. This does not include the common area used by tenants of rental property or the leasing office of the apartment manager. HOME awards cannot be used to underwrite any portion of the commercial costs. The expenses incurred and income to be generated from commercial space must be reported in a separate "Annual Expense Information" sheet and 15-year proforma.
- Replacement reserves – Funds used to initially capitalize a reserve fund used for major capital repairs to a rental or permanent supportive housing facility. These funds cannot be applied to a HOME award. These funds can be capitalized either through operating cash flow or through the development budget on the Uses of Funds exhibit.
- Operating reserves – Funds used to initially capitalize a reserve fund that covers operating expenses when there are income shortfalls over the life of a rental or permanent supportive housing development. This line item must be included in your respective Uses of Funds exhibit. These funds cannot be applied to a HOME award.
- Cost associated with any IHCD application preparation
- Purchase or installation of luxury items, such as swimming pools or hot tubs
- Purchase or installation of equipment, furnishings, tools, or other personal property that is not an integral structural feature, such as window air conditioner units or washers and dryers. Allowable exceptions to this prohibition, however, include stoves, refrigerators, built-in dishwashers, garbage disposals, and permanently installed individual unit air conditioners
- Cost of supportive services
- General operating expenses or operating subsidies
- Tenant-based rental assistance
- Mortgage default/delinquency correction or avoidance
- Loan guarantees
- Annual contributions for operation of public housing

Types of Rental Housing:

- **Transitional Housing**

Housing funded under this program may not be used for temporary or emergency purposes at any time. The intent of this activity is to provide funding for the acquisition, rehabilitation, rehabilitation/refinance, and/or new construction of short-term housing for homeless individuals, or families, including abused persons and their children. The HOME program defines transitional housing as housing that (1) is designed to provide housing and appropriate supportive services to persons, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children, and (2) has as its purpose facilitating the movement of individuals and families to independent living within 24 months, or a longer period as determined necessary.

- **Permanent Supportive Housing**

The intent of this eligible activity is to provide funding for the acquisition, rehabilitation, rehabilitation/refinance, and/or new construction of long term housing with on-going supportive services available for persons who would otherwise be at risk of being homeless. Developments funded under this program may not be used for temporary or emergency housing at any time.

- **Permanent Rental Housing**

Eligible rental activities include acquisition, rehabilitation, rehabilitation/refinance, or new construction. The purpose of this eligible activity is to provide funding for permanent housing that will be rented to income-eligible tenants.

- Eligible rental activities include assisted living facilities as long as they meet IHCD's definition. IHCD defines an assisted living facility as living arrangements in which some optional services are available to residents (meals, laundry, medication reminders), but residents still live independently within the assisted living complex. Residents of such facilities pay a regular monthly rent, and then pay additional fees for the services that they desire.

Rent Restrictions

- The HOME-assisted transitional, permanent supportive, or rental units will be rent restricted throughout the affordability period to ensure that the units are affordable to low-income households. Please refer to the most recent HOME rent limits, which may be found on IHCD's website.
- Applicants are not required to charge rent to tenants of transitional housing. If the applicant chooses to charge rent, the rent cannot be more than the applicable HOME rent limit for each income level served with HOME-assisted units. For example, if a unit is set-aside for households at or below 40% of the area median income, the applicant must charge a rent that does not exceed the 40% HOME Rent Limit, as published annually by HUD and distributed by IHCD's Community Development Department.
- If an SRO-unit has neither food preparation nor sanitary facilities, or has only one of the two, the rent may not exceed 75 percent of the FMR for a zero-bedroom unit. For example, the Fair Market Rent for a 0-bedroom unit in a given county is \$300. The 40% rent limit for an SRO unit in that county that only has a bathroom and not a kitchen would be \$225 ($\$300 \times 75\% = \225).
- Published rent limits include the cost of any tenant-paid utilities. You must subtract from the published rent limit an approved utility allowance for all utilities that the tenant will be responsible for. For example, the rent limit in a given county is \$300. The utility allowance for gas heat is \$28, for other electric is \$20, and for water is \$13. For a unit where the tenant will pay for gas heat, other electric, and water, the maximum allowable rent would be \$239 ($\$300 - \$28 - \$20 - \$13 = \239).
- If the applicant proposes to receive all or a portion of the rent payment via a tenant-based voucher (rental subsidy), the total tenant rent (see Definitions in the Appendices) cannot exceed the published rent limits for the applicable income level. For example, a tenant residing in a unit set-aside for households at or below 40% of the area median income has a voucher that pays \$100 of his/her rent, and the published utility allowance for tenant paid utilities for the unit is \$50. If the published 40% Rent Limit is \$300, the tenant paid portion of rent cannot exceed \$150 ($\$300 \text{ Rent Limit} - \$100 \text{ Section 8 Voucher} - \$50 \text{ Utility Allowance} = \$150 \text{ Maximum Tenant Paid Portion}$).

- If the development receives federal or state project-based rent subsidy and tenants at or below 50% AMI pay no more than 30% of his/her adjusted income for rent, the maximum rent may be the rent allowable under the project-based subsidy program [24 CFR, Part 92.252\(b\)\(2\)](#).
- Rent limits do not include food or the costs of supportive services.
- All tenants who occupy HOME assisted transitional, permanent supportive and rental housing units must be income recertified on an annual basis. The Section 8 definition of household income applies.

Underwriting Guidelines

The following are underwriting guidelines for permanent supportive housing or rental developments, and any development also requesting LIHTF assistance. The numbers submitted should reflect the nature and true cost of the proposed activity. IHCD will consider any underwriting outside of these guidelines if supporting documentation is provided.

- Operating Expenses – IHCD will consider the reasonableness of operating expenses for each development based on information submitted by the Applicant.
- Management Fee – 5%-7% of “effective gross income” (gross income for all units less Vacancy Rate).
 - 1-50 units 7%
 - 51-100 units 6%
 - 100+ units 5%
- Vacancy Rate – 6%-8%
- Rental Income Growth – 1%-3%/year
- Operating Reserves – four (4) – six (6) months (operating expenses plus debt service)
- Replacement Reserves New Construction: \$250 - \$300 Rehabilitation: \$300 - \$350
- Operating Expense Growth – 2%-4%/year.
- Stabilized debt coverage ratio (usually in year 2) – 1.15-1.35
- Developments structured with no hard debt –minimum cash flow before deferred developer fee must be at least \$250 per unit annually.

NOTE: IHCD will require at least a 1% spread between operating expense growth and rental income growth. Required Documentation: 1) Data supporting the operating expenses and replacement reserves stated in the proforma and 2) If the underwriting is outside these guidelines the Applicant must provide a detailed explanation.

Eligible transitional housing developments **DO NOT** include:

- Costs for supportive services, homeless prevention activities, operating expenses, or for the use of commercial facilities for transient housing.
- Emergency shelters that are designed to provide temporary daytime and/or overnight accommodations for homeless persons.
- Reserve accounts for replacements and operating costs.

Eligible Beneficiaries

- Transitional housing must serve persons who would otherwise be homeless.
- At initial occupancy, each household in a HOME-assisted unit must have an annual income equal to or less than 60% of the area median family income (adjusted for size) as published annually by HUD for the program county. The Section 8 definition of household income applies. This requirement remains in effect throughout the affordability period. All beneficiaries who occupy HOME-assisted transitional housing units must be income recertified on an annual basis.

Subsidy Limitations

- The maximum award is \$750,000.
- HOME funds used for acquisition, rehabilitation, new construction, program delivery (including CHDO Predevelopment or CHDO Seed Money Loan), relocation, rent-up reserve, and developer's fee combined cannot exceed:

AMI Level	Subsidy Limit			
	0 Bedroom or Efficiency Units	1 Bedroom Units	2 Bedroom Units	3 or more Bedroom Units
30%	\$40,000	\$47,250	\$50,000	\$57,750
40%	\$38,000	\$45,000	\$47,500	\$55,000
50%	\$36,100	\$42,750	\$45,150	\$52,250
60%	\$34,300	\$40,600	\$42,850	\$49,650

- Award funds for administration or CHDO operating costs, environmental review, program delivery, and developer's fee combined cannot exceed 20% of the HOME award.
- Award funds for administration or CHDO operating costs cannot exceed 5% of the HOME award.
- Award funds for developer's fee cannot exceed 15% of the HOME award.
- Minimum amount of HOME funds to be used for rehabilitation or new construction is \$1,000 per unit.
- HOME funds cannot be used for reserve accounts for replacement or operating costs, but may be used as a Rent-Up Reserve.
- All subsidies must be secured throughout the affordability period by a written, legally binding, recorded restrictive covenant.

Rental Housing Provisions

- All residents for transitional housing must enter into a lease or program agreement with the owner of the development for 12 months or a term mutually agreed upon by both parties.
- All residents for permanent supportive and permanent rental housing must enter into a lease agreement with the owner of the development.
- Beneficiaries of transitional housing and permanent supportive housing must receive appropriate supportive services while residing in the transitional housing.
- Recipients of HOME awards for transitional, permanent supportive, and rental housing will be required to report certain information about beneficiaries of assisted units to IHCD annually throughout the affordability period in the Annual Rental Report. See IHCD's [Implementation Manual](#) for further guidance.

Provisions for Rehabilitation/Refinance

Applicants for rehabilitation/refinance must demonstrate that:

- Refinancing is necessary to maintain current affordable units and/or create additional affordable units.
- The primary activity is rehabilitation. The applicant must budget a minimum of 51% of the HOME funds for rehabilitation.
- The development will satisfy a minimum 15-year affordability period.
- Disinvestment in the property has not occurred.
- The long term needs of the development can be met.
- It is feasible to serve the targeted population over the affordability period.
- The amount of funds applied to the refinance budget line item will be made as an amortized loan to the applicant. The applicant should propose at least a 2% interest rate, a term of not more than 30 years, and an amortization period of not more than 30 years.
- The HOME loan must be fully secured.
- The HOME funds used for construction may be forgiven at the end of the affordability period.
- Applicants for transitional rehabilitation/refinance cannot use HOME funds to refinance multifamily loans made or insured by any other Federal program, including, but not limited to, FHA, CDBG, or Rural Development.

Homebuyer - HOME Investment Partnerships Program

Refer to the section labeled “All HOME Eligible Activities” for additional requirements of this program.

Eligible Homebuyer Activities

The purpose of this activity is to provide funding to improve the quality of housing stock while making it affordable for homebuyers. Funding is available for the acquisition and new construction or rehabilitation of housing that will be sold to income-eligible homebuyers.

Eligible Beneficiaries

Each household must have an annual income equal to or less than 80% of the area median family income (adjusted for household size) at the time the contract to purchase the home is signed. The Section 8 definition of household income applies.

Subsidy Limitations

- The maximum award is \$750,000.
- HOME funds used for acquisition, rehabilitation, new construction, program delivery (including CHDO Predevelopment or CHDO Seed Money Loan), relocation, homeownership counseling, and developer’s fee combined cannot exceed:
 - \$35,000 per 0 bedroom/efficiency unit, or
 - \$40,000 per 1 or 2 bedroom unit, or
 - \$50,000 per 3 or more bedroom unit.
- Award funds for administration or CHDO operating costs, environmental review, program delivery, homeownership counseling, and developer’s fee combined cannot exceed 20% of the HOME award.
- Award funds for administration or CHDO operating costs cannot exceed 5% of the HOME award.
- Award funds for developer’s fee cannot exceed 15% of the HOME award.
- Developer’s fee cannot exceed 20% of the Total Development Cost; regardless of the source used to pay the developer’s fee.
- Minimum amount of HOME funds to be used for rehabilitation or new construction is \$1,000 per unit.
- Maximum amount of HOME funds for homeownership counseling is \$1,000 per unit.
- All subsidies must be secured throughout the affordability period by a written, legally binding, recorded restrictive covenant.

The homebuyer cannot apply for funding under any other HOME-funded program for the same unit (e.g., down payment assistance that can be obtained with a First HOME mortgage).

Recapture/Resale Requirements

If the development consists of development subsidy only, resale provisions must be executed on the property. If there is both development subsidy and homebuyer subsidy or just homebuyer subsidy, the recapture provision must be implemented. Refer to IHCD’s [Implementation Manual](#) for the regulatory requirements of [24 CFR Part 92](#). Additionally, these requirements must be included in the applicant’s program guidelines that are a part of the application forms.

Homebuyer Provisions

- Recipients are not required to identify and qualify homebuyers prior to acquiring and beginning construction on the HOME-assisted units; however, HOME-assisted units are not considered completed until occupied by an income eligible homebuyer. Therefore, units that are not completed during the award timeframe may effect future funding decisions.
- Recipients will be required to provide an “after rehab” or “construction value” appraisal; whichever is appropriate, from a licensed appraiser for all property assisted with the award with the first draw that includes hard costs. If the applicant is acquiring property an “as-is” appraisal is required with the first draw request for acquisition reimbursement. See the [Implementation Manual](#) for details.
- Applicants doing rehabilitation for this activity must purchase:
 - (1) Owner-occupied units,
 - (2) Rental units that have been vacant for 3 or more months, or
 - (3) Occupied rental units only if the current tenant will become the eventual homebuyer. See the Appendices for further guidance.

- For CHDO-eligible activities only, HOME funds may be provided as a homebuyer loan but must carry a 0% interest rate and not exceed a 15-year term. The HOME payment may not exceed 20% of the homebuyer's monthly principal and interest payment.
- The Single Family proforma that is submitted to IHCD at set-up must include:
 - The affordable payment (Principal, Interest, Taxes, Insurance, and Utilities) must have a front-end ratio between 10% and 29% of gross income.
 - Applicants should carefully consider the consequences of a mortgage payment that exceeds the back-end affordable payment calculated at 41% of gross monthly income.
 - If new construction, at least \$50 per month must be budgeted for property taxes, unless documentation is provided to support a lower amount.
 - Applicants must include a utility allowance between \$125 and \$200, unless documentation is provided to support a lower amount.
 - Donations toward a home must be counted at 100% of the value; however, in the financial analysis 75% of this value must be counted toward either development and/or homebuyer subsidy. But if including a developer fee this is not eligible and 100% of the value must be counted.
- Subsidy analysis must be based on a borrower's payment for a minimum of a 20-year mortgage. The only exception is when a portion of the loan that is coming from a CHDO or LIHTF loan. This portion is based on a 15-year term.
- Applicants are required to provide homeownership counseling to all program beneficiaries.
- If the not-for-profit applicant anticipates selling the HOME-assisted unit to a buyer that will utilize an FHA or VA insured mortgage, they may be required to first be approved by HUD to be a secondary lender. Information on how to become a HUD-approved lender can be obtained at [HUD's website](#) or by calling the HUD's Atlanta Homeownership Center toll free at (888) 696-4687 ext. 2055.
- According to 24 CFR 92.254(a)(2) in the case of acquisition of newly constructed housing or standard housing, the property must have a purchase price that does not exceed the FHA 203(b) mortgage limits. In the case of acquisition with rehabilitation, the property must have an estimated value after rehabilitation that does not exceed the FHA 203(b) mortgage limits. For a list of current mortgage limits, see the appropriate [FSP Memo](#) on IHCD's website.
- The HOME-assisted housing unit must be occupied as the homebuyer's principal residence throughout the program's affordability period. The length of the mandatory affordability period is found in the section labeled "All HOME-Eligible Activities."
- Homebuyer units that are multi-family (4 or less units) must meet all program requirements. The owner must be income qualified (income from the rental units must be included). The occupants of the rental units must also be income qualified and impose all rental requirements.

CHDO Predevelopment Loans

Eligible Applicants

The applicant must be a state-certified CHDO proposing a CHDO eligible activity within the geographic area for which they are certified (outside the boundaries of a participating jurisdiction). The CHDO must be the owner, developer, or sponsor of the proposed development and must be significantly involved in all phases.

Eligible Activities

Development-specific predevelopment assistance is intended to assure that CHDOs have access to funds for up-front, eligible expenditures. The intent of this loan is to enable a CHDO to determine the financial feasibility of an IHCD HOME CHDO-eligible activity. An IHCD HOME CHDO-eligible activity includes rental, permanent supportive, transitional housing, and homebuyer rehabilitation or new construction.

Eligible Beneficiaries

Proposed rental, permanent supportive or transitional housing developments must assist households at or below 60% of the area median income for that county, as published annually by HUD and distributed by IHCD. Proposed homebuyer activities must assist households at or below 80% of the area median income for that county. Additionally, rental, permanent supportive, or transitional housing developments with 5 or more HOME-assisted units must set-aside at least 20% of the units for area median income levels of 50% and below.

Eligible Activity Costs

All costs must be related to a specific development that, if deemed feasible, would be eligible to receive IHCD HOME funds for development. Funded activity costs may not exceed customary and reasonable costs.

Eligible activity costs include:

- Preliminary costs associated with conducting a feasibility analysis of the proposed activity,
- Professional fees such as legal, architectural, engineering, etc. to render preliminary development details,
- Title search,
- Option(s) to purchase property,
- Payment of necessary fees such as appraisals and credit checks, and
- A limited amount of CHDO staff costs directly related to the preconstruction activities (limited to 5% of award amount).

Eligible activity costs do not include:

- The costs associated with preparing applications to IHCD,
- Preparation of detailed engineering, architectural, and design materials ordinarily required for construction purposes,
- General operating expenses of the organization, and
- Developments that have received or anticipate receiving IHCD CDBG Feasibility Study funds, unless the award was more than 5 years prior to the application due date.

Subsidy Limitations

- Assistance is provided as a loan at a 0% interest rate. All funds must be expended within 12 months and repaid within a 24-month term.
- The maximum CHDO Predevelopment Loan amount is \$30,000.
- Applicants are limited to a total of \$30,000 in CHDO Predevelopment Loans, CHDO Seed Money Loans, or combination of both, for any one development. This limitation applies to either a combined application or separate applications.
- Up to 5% of the award may be applied for staff salaries.

Activity Provisions

- Applicants may apply for both a CHDO Predevelopment Loan and a CHDO Seed Money Loan in the same application for the same development. Those applicants who do so will still have only 12 months to expend all the funds and 24 months to repay all the funds from both loans. They will also not be able to draw funds for the Seed Money Loan until they have:
 - Demonstrated development financial feasibility,
 - Demonstrated that there is a market need for the proposed development,
 - Secured site control (as evidenced by a deed, a sales contract, or an option contract to acquire the property),
 - Completed the environmental review process, which includes release of funds and Section 106 concurrence, and submitted the appropriate documentation to their IHCD Community Development Representative,
 - Received a preliminary letter of commitment for either construction financing or a permanent mortgage from a private lender, if such financing will be required on the development, and
 - Demonstrated the capacity of the CHDO's staff to implement the proposed development.
- Loans made under this program may be forgiven if there are impediments to the development that IHCD determines are reasonably beyond the control of the borrower. If the development goes forward without the use of HOME funds, it will still be subject to the HOME requirements.

Eligible Applicants

The applicant must be a state-certified CHDO and must propose a CHDO-eligible activity within the geographic area for which they are certified (outside the boundaries of a participating jurisdiction). The CHDO must be the owner, developer, or sponsor of the proposed development and must be significantly involved in all phases.

Eligible Activities

Development-specific predevelopment assistance is intended to assure that CHDOs have access to funds for up-front, eligible expenditures. The purpose of this loan is to enable a CHDO that has determined an IHCD HOME CHDO-eligible activity is feasible to move forward with predevelopment activities such as preparing final architectural and engineering plans, and to get a CHDO-eligible activity to the point that construction can begin soon after IHCD HOME funds are awarded. An IHCD HOME CHDO-eligible activity includes rental, permanent supportive, transitional housing, and homebuyer rehabilitation or new construction.

Prior to application submission, applicants for CHDO Seed Money loans must have:

- Demonstrated development financial feasibility,
- Demonstrated that there is a market need for the proposed development,
- Secured site control (as evidenced by a deed, a sales contract, or an option contract to acquire the property),
- Completed the environmental review release of funds process and submitted the environmental review record to their IHCD Community Development Representative,
- Received a preliminary letter of commitment for either construction financing or a permanent mortgage from a private lender, if such financing will be required on the development, and
- Demonstrated the capacity of the CHDO's staff to implement the proposed development.

Eligible Beneficiaries

Proposed rental, permanent supportive, or transitional housing developments must assist households at or below 60% of the area median income for that county, as published annually by HUD and distributed by IHCD.

Proposed homebuyer activities must assist households at or below 80% of the area median income for that county. Additionally, rental, permanent supportive, or transitional developments with 5 or more HOME-assisted units must set-aside at least 20% of the units for area median income levels of 50% and below.

Eligible Activity Costs

All costs must be related to a specific development that has already been deemed feasible and that would be eligible to receive IHCD HOME funds for development. Funded activity costs may not exceed customary and reasonable costs.

Eligible activity costs include:

- Costs of obtaining firm construction loan commitments
- Architectural plans and specifications
- Zoning approvals
- Engineering studies
- Legal fees
- Preliminary costs associated with conducting a site specific feasibility analysis
- Title search
- Option(s) to purchase property and
- Payment of necessary fees such as appraisals and credit checks
- RHTC reservation fee

Eligible activity costs do not include:

- The costs associated with preparing applications to IHCD,
- Property acquisition,
- Construction hard costs,
- General operating expenses of the organization, and
- A limited amount of CHDO staff costs directly related to the preconstruction activities (limited to 5% of award amount).

Subsidy Limitation

- Assistance is provided as a loan at a 0% interest rate. All funds must be expended within 12 months and repaid within a 24-month term.
- The maximum Seed Money Loan amount is \$30,000.
- Applicants are limited to a total of \$30,000 in CHDO Predevelopment Loans, CHDO Seed Money Loans, or combination of both, for any one development. This limitation applies to either a combined application or separate applications.

Activity Provisions

- Applicants may apply for both a CHDO Predevelopment Loan and a CHDO Seed Money Loan in the same application for the same development. Those applicants who do so will still have only 12 months to expend all the funds and 24 months to repay all the funds from both loans. They will also not be able to draw funds for the Seed Money Loan until they have:
 - Demonstrated development financial feasibility,
 - Demonstrated that there is a market demand for the proposed development,
 - Secured site control (as evidenced by a deed, a sales contract, or an option contract to acquire the property),
 - Completed the environmental review process, which includes release of funds and Section 106 concurrence, and submitted the appropriate documentation to their IHCDCA Community Development Representative,
 - Received a preliminary letter of commitment for either construction financing or a permanent mortgage from a private lender, if such financing will be required on the development, and
 - Demonstrated the capacity of the CHDO's staff to implement the proposed development.
- If the applicant anticipates using a future IHCDCA HOME award to reimburse themselves for acquisition costs, they must complete the environmental review release of funds process prior to acquisition. Failure to do so will make acquisition costs ineligible for reimbursement under the HOME program.
- Loans made under this program may be forgiven if there are impediments to the development that IHCDCA determines are reasonably beyond the control of the borrower. If the development goes forward without the use of HOME funds, it will still be subject to the HOME requirements.

Supplemental HOME Funding

From time to time we become aware of developments that are having difficulty securing full financing or have experienced unanticipated cost overruns. For these reasons, IHCD, in its sole discretion, will accept and review requests for supplemental HOME funding on a case-by-case basis.

The availability of supplemental funding is intended as a one-time award to address financial shortfalls that have arisen due to factors beyond the applicant's control such as, but not limited to, unforeseeable cost overruns due to Davis-Bacon wage rates, historic preservation requirements, or unforeseen site conditions. It is not intended as a means to alter the original scope of the development, as bridge financing to cover the costs of slower than anticipated lease-up or home sales, as a short-term solution for developments that are not otherwise financially viable, or as financing of normal construction delays due to the fault of the contractor. Further, HOME funds may not be used to refinance existing permanent debt, except as indicated under the eligible activity description for HOME Rental.

Applicants should note that all information provided in a supplemental funding request will be shared between IHCD's various allocation and compliance departmental staff. Receipt of information inconsistent with prior submittals may trigger further review and action by IHCD, and may ultimately jeopardize previously allocated funds.

Eligible Applicants

Requests for a supplemental HOME award will be accepted from recipients of IHCD awards if the development fits one of the alternatives described below:

- Construction or rehabilitation of the development has not yet begun.
- Construction or rehabilitation of the development has begun, but has not yet been completed, and the HOME, CDBG or LIHTF award has not been fully drawn down.
- The development was funded through the Housing from Shelters to Homeownership program, and the final draw down occurred no more than six months prior to the supplemental funding application deadline.
- The development received HOME funds in conjunction with Rental Housing Tax Credits (RHTC). The final HOME draw down occurred no more than six months prior to the Supplemental Funding application due date, and neither the Final Multi-Family Housing Finance application nor the RHTC Cost Certification has been submitted to IHCD.

Application Fee

Applicants requesting supplemental funding must pay IHCD a non-refundable application fee during one of the published allocation rounds.

Applicant Type	Fee
Not-for-profit organization	\$100
Local units of government	\$100
For-profit organization	\$350
Not-for-profit/for-profit joint venture	\$350

Application Requirements

The application for supplemental funding must demonstrate that:

1. Additional HOME funds are necessary to fill a financing gap or to cover unanticipated cost overruns.
 - a. The applicant must indicate the amount of initial HOME, CDBG, or LIHTF funding along with the requested supplemental funding amount.
 - b. The applicant must explain how the development costs have changed since the initial application, why a financing gap now exists, and/or why construction overruns occurred.
 - c. The applicant must submit initial and current detailed construction budgets containing specific line items and identifying variances.
 - d. The applicant must identify what specific steps were initially taken to avoid the cost overruns that ultimately occurred.
2. Firm commitments have been received for all other funding sources, and the supplemental funding request is the last source needed to fill the financing gap or to cover unanticipated cost overruns.
 - a. The applicant must enclose a copy of all current funding commitments.

3. Other avenues of gap financing have been thoroughly explored.
 - b. The applicant must fully disclose all other funding sources that have been approached.
 - c. Additionally, the applicant must provide copies of all funding denial letters and indicate the reason given for denial.
4. Total development costs as given in the proposed budget are firm.
 - d. The applicant must ensure that final costs will increase no more than three percent over current estimates.
 - e. The applicant must submit firm quotes from contractors demonstrating that the amount estimated to complete work is sufficient.
5. At the time of full application, combined initial and supplemental HOME, CDBG or LIHTF requests will meet all criteria given in the current Housing from Shelters to Homeownership application package.
 - f. These criteria include, but are not limited to: maximum award amount for the activity type, per unit subsidy limitations, developer's fee limitations, twelve month award cap, and environmental review completion requirements.
6. The entire development (including assisted and non-assisted units) will be completed within the later of the original award expiration date or twelve months from the anticipated supplemental award announcement date.
 - g. The applicant must provide a detailed timeline indicating progress to date.
 - h. They must also identify target dates for achieving major milestones throughout the remainder of the award timeframe.
7. The rate of lease-up or home sales is consistent with original estimates (if construction or rehabilitation is complete).
 - i. The applicant must provide documentation demonstrating how estimates have been met.

Upon receipt of application and required support documentation, IHCD staff will contact the applicant to schedule a meeting to discuss the potential funding request. Staff will utilize information provided and this meeting to determine if all criteria have been met.

Award Recommendations

Staff will carefully review each request to determine the best use of limited funding resources. Supplemental funding recommendations will be made based on a number of factors including, but not limited to:

- Availability of HOME resources
- Whether the funding gap is the direct result of a shortfall beyond the control of the applicant or a result of foreseeable conditions
- The rate of lease-up or home sales
- Timeliness of progress made to date on the development
- Reasonableness of the remaining development timeline
- The amount of supplemental funds requested in comparison with the original award amount

IHCD anticipates making supplemental HOME recommendations during funding rounds when award recommendations for new applications fall below IHCD's internal funding goals. IHCD, however, reserves the right and shall have the power to allocate funds to a development, if such intended allocation is: (1) in compliance with applicable statutes; (2) in furtherance of promoting affordable housing; and (3) determined by IHCD's Board of Directors to be in the interests of the citizens of the State of Indiana.

Assistance may be provided in the form of grants or loans. Funds will be awarded only in amounts appropriate to the scope of the identified need and will not include any soft costs. IHCD reserves the right to determine the exact amount and type of assistance needed for each development.

The supplemental funding process is intended to give qualified HOME recipients a one-time opportunity to seek additional funds. IHCD determinations regarding a HOME, CDBG, or LIHTF allocation are final. No further requests will be accepted for the same development.

Rent Limit Adjustments

Federal HOME regulations prohibit IHCD from making supplemental HOME awards during a HOME-funded development's affordability period, unless the award is made within one year of project completion or the supplemental funding assists a homebuyer in acquiring housing previously assisted with HOME funds [see 24 CFR 92.214(a)(7)].

HUD states at 24 CFR 92.252(g) that changes in the rent limits over time should be sufficient to maintain the financial viability of a development. However, the regulations go on to say, “HUD may adjust the HOME rent limits for a project, only if HUD finds that an adjustment is necessary to support the continued financial viability of the project and only by an amount that HUD determines is necessary to maintain continued financial viability of the project. HUD expects that this authority will be used sparingly.”

If award recipients find that the published rent limits are insufficient for a specific HOME-funded development, IHCD will consider a request to adjust the 40% or 30% AMI rent limits. For 60% or 50% units, we would forward the request to HUD on the recipient’s behalf. In either case, the petitioner would be required to demonstrate how the increased rents would continue to be affordable for the targeted tenants.